

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

OMB-01 FEAE-00 AGR-05 COME-00 TRSE-00 SAM-01 SAI-01

EUR-12 /083 W

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R 251015Z AUG 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 242

INFO AMCONSUL HONG KONG

AMEMBASSY SINGAPORE

USLO PEKING

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E.O. 11652: N/A

TAGS: EGEN

SUBJ: THAI-PRC RICE-OIL BARTER DEAL

REF: BANGKOK A-200

1. AN OFFICIAL THAI TRADE DELEGATION LED BY THAI COMMERCE MINISTER THONGYOT CITTAWIRA RETURNED FROM PEKING ON AUGUST 24 AND ANNOUNCED THAT IT HAD COMPLETED A 50 MILLION BARTER EXCHANGE OF THAI RICE FOR CHINESE

OIL. AS EARLIER REPORTED BY THONGYOT (SEE REF), THE THAI WILL SUPPLY THE PRC WITH 200,000 TONS OF RICE. AN UNIDENTIFIED MEMBER OF THE THAI DELEGATION TOLD THE PRESS THAT THE RICE WOULD BE CONSUMED BY THE CHINESE THEMSELVES. (THIS COMMENT MAY HAVE BEEN MADE TO ALLAY SUSPICIONS WHICH WERE VOICED WHEN THE RICE DEAL WAS FIRST MENTIONED THAT THAI RICE BOUGHT BY CHINA WOULD BE SENT TO CAMBODIA.) THAILAND IS TO RECEIVE 251,237 TONS OF GAS OIL AND 312,129 TONS OF CRUDE OIL. THE EXCHANGE IS BASED ON A "FRIENDLY PRICE" FOR THE OIL WHICH IS BELOW WORLD PRICES. DETAILS FOR DELIVERY OF THE RICE

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AND OIL ARE TO BE ARRANGED WITHIN THE NEXT MONTH IN HONG KONG.

2. THE THAI DELEGATION INDICATED THAT THERE WOULD BE FOLLOW-UP TRADE DISCUSSIONS WITH THE CHINESE REGARDING THE SALE OF SUCH PRODUCTS AS MAIZE, TAPIOCA, KENAF, AND TOBACCO. FOR COMMODITIES OTHER THAN RICE AND OIL, IT WAS AGREED BETWEEN THE THAIS AND THE CHINESE THAT TRANSACTIONS WOULD BE BASED ON "ACCEPTABLE CURRENCIES."

3. COMMENT: WHILE RUMORS OF TRADE DEALS WITH CHINA HAVE BEEN FLOATING IN BANGKOK SINCE THE ESTABLISHMENT OF DIPLOMATIC RELATIONS BETWEEN THAILAND AND CHINA AT THE BEGINNING OF JULY, THIS IS THE FIRST LARGE, SOLID DEAL. THE THAIS CAN CONSIDER IT A MAJOR SUCCESS. THEY HAVE GAINED PETROLEIUM AT FAVORABLE PRICES WHILE FINDING AN OUTLET FOR AT LEAST A PORTION OF THEIR EXPORT SURPLUS OF RICE. AS FOR CHINA, THE DEAL SEEMS AS MUCH DESIGNED TO CURRY POLITICAL FAVOR WITH THAILAND AS TO ACCOMPLISH ANY ECONOMIC PURPOSE. SOME WEEKS AGO THONGYOT STATED THAT THE PROJECTED PURCHASE OF RICE WAS BEING UNDERTAKEN BY CHINA AS A FAVOR TO THAILAND AND A MEMBER OF THE THAI DELEGATION WHO RETURNED FROM CHINA ON 23 AUGUST POINTED OUT THAT THE 200,000 TONS OF RICE WOULD ONLY FEED CHINA FOR HALF OF ONE DAY. THE SALE OF CUT-RATE OIL TO THAILAND IS, IN FACT, NOT A NEW DEVICE FOR CHINA TO USE IN WINNING THAILAND. THE SINGLE, MAJOR OFFICIAL TRADE DEAL BETWEEN THAILAND AND CHINA IN THE PERIOD FOLLOWING THE OCTOBER 1973 CHANGE OF GOVERNMENT IN THAILAND, WHILE THE THAIS AND CHINESE WERE FEELING THEIR WAY INTO FORMAL RELATIONS, WAS A 50,000 METRIC TON OIL SALE TO THE THAIS AT FAVORABLE PRICES IN EARLY 1974.

CERTAINLY BOTH THAILAND AND THE PRC CAN TAKE SATISFACTION THAT OFFICIAL TRADE BETWEEN THE TWO IS OFF TO A GOOD START. THE SOVIETS CAN TAKE LITTLE COMFORT IN THIS EVIDENCE OF CHINESE MOVEMENT INTO THE THAI SCENE, FOR THE TOTAL FOR THIS ONE DEAL IS OF GREATER MAGNITUDE THAN THE NORMAL YEARLY TOTAL FOR THAI TRADE WITH THE SOVIETS AND ALL THEIR EAST EUROPEAN ALLIES.

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## Message Attributes

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